Letter to Congressional Leaders Transmitting a Report on Cyprus

August 30, 2000

Dear Mr. Speaker: (Dear Mr. Chairman:)

In accordance with section 13(b) of the International Security Assistance Act of 1978, Public Law 95–384 (22 U.S.C. 2373(c)), I submit to you this report on progress toward a negotiated settlement of the Cyprus question covering the period June 1–July 31, 2000. The previous submission covered events during April and May 2000.

The United Nations resumed its efforts to bring about comprehensive negotiations between the Greek Cypriot and Turkish Cypriot communities in Geneva on July 5. These proximity talks, which began in December 1999 in New York, are continuing. However, as my colleagues at the G–8 Summit in Okinawa and I agreed, the two parties need to intensify negotiations in order to bring about a just and lasting settlement. The United States remains committed to the United Nations process and efforts to bring about a solution based upon a bizonal, bicommunal federation.

Sincerely,

William J. Clinton

NOTE: Identical letters were sent to J. Dennis Hastert, Speaker of the House of Representatives, and Jesse Helms, chairman, Senate Committee on Foreign Relations. This letter was released by the Office of the Press Secretary on August 31.

Remarks on Returning Without Approval to the House of Representatives the Death Tax Elimination Act of 2000

August 31, 2000

Thank you very much. I want to thank Secretary Mineta and John Sumption and his wife, Margaret, for being here. Martin Rothenberg, thank you very much, and thank you, Sandra, for being here.

I was listening to them talk, wishing I didn't have to say a word. [*Laughter*] It made me proud to be an American, listening to those two people talk. Didn't they do a good job? [*Applause*]

Western Wildfires

Before I begin with the remarks I have on the estate tax, and since this is my only opportunity to speak to the American people through our friends in the press today, I need to make a statement about continuing efforts to combat one of the worst wildfire seasons in the history of America.

For months now, we have been marshaling Federal resources so that the men and women fighting these blazes out West will have the tools they need to protect our public and our lands. There are already 30,000 Federal, State, and local personnel engaged in the effort to fight the wildfires, including four full military battalions. Today I'm releasing another $90 million to ensure that the Federal firefighters have the resources they need. Now a total of $590 million has been spent on emergency funding to combat these fires. I want you to remember that for a point I want to make later in my remarks. These things happen.

There will be no shortage of human effort. Tomorrow we are dispatching a new marine battalion from Camp Lejeune, North Carolina, to help fight the Clear Creek fire in Idaho's Salmon-Challis National Forest. Last night we issued a disaster declaration for Montana and are expediting a similar request from Idaho.

There is a lot to be done out there. Those people are working hard. The Departments of Agriculture and the Interior have begun to move 2,000 Federal supervisors into the field to assist the firefighters and to get adequate compensation for people that are working long and very stressful hours.

Our Nation owes a great debt of gratitude to the firefighters, the managers, and their loved ones who are making extraordinary sacrifices. Many of them are literally risking their lives today in service to their neighbors and their country. Our losses this year in wildfires have been much, much, much greater than the 10-year average.

And I was out in Idaho recently, and I wish every American could see what they try to do with those fires and how fast they can move and how they can go from being a foot high to 100 feet high in no time at all. So we may have to do more out there, but they're doing their best to protect as much land and to protect the houses and lives of the people as possible.

Estate Tax Legislation Veto

Now, to the matter at hand. As Secretary Mineta said, 7½ years ago we charted a course for a new economy, a new course focused on giving the American people the tools they needed to make the most of the information age and creating the conditions which would make sure that the hard work of our people would be rewarded. And we all know that since then, we've had the longest economic expansion in history, that we have the lowest unemployment rate in 30 years, the lowest welfare rolls in 32 years; we learned last week, the lowest violent crime rate in 28 years; and the highest homeownership in history.

We also had these horrible deficits and a debt which had quadrupled in the 12 years I took office, over the previous 200 years, and we've begun to pay it down at a record rate. This has effectively worked as a tax cut. Why? Because all the economic analyses show that when we went from record deficits to record surpluses and started paying the debt down, it's kept interest rates lower over these last 8 years, much lower than they otherwise would have been.

What has that been worth in tax cuts? Well, the Council of Economic Advisers says that on average it's worth $2,000 in lower home mortgages a year for the average home, $200 a year in lower car payments, $200 a year in lower student loan payments.

We have also supported tax cuts within the context of paying the debt down. For example, in the Balanced Budget Act, we had the HOPE scholarship tax credit and lifelong learning tax credits: the HOPE scholarship for the first 2 years of college, $1,500; and the lifelong learning credits for the junior and senior year and lifetime education, which can be even greater. Ten million families are taking advantage of that to pay for a college education this year.

The earned-income tax credit, which we doubled, which goes to lower income working people, will help $15 million families this year work their way into the middle class. The $500 child tax credit, which was a part of the Balanced Budget Act, will now go to 25 million families. We gave upper income people tax credits to invest in poor areas in America in the empowerment zones, and it's worked to generate thousands of jobs in some of the most distressed areas of the country.

In 1997 we also reduced the burden of the estate tax for small-business owners and family farmers by raising the threshold at which it applies. The typical American family today is paying a lower share of its income in Federal income taxes than at any time during the last 35 years. That is a pretty good thing to be able to say, and yet we're healthy financially because we have proceeded in a balanced and disciplined way.

Now, everybody knows there is a lot more hard work to be done, and there are differences of opinion about what we ought to do and how we ought to do it. That's why we're having another election this year. And that's up to the American people to decide.

But I believe that prosperity imposes its own difficult choices, because there are so many temptations to do things that seem easy that will have adverse consequences. And I believe it is our job to maximize the chance that America can make the most of a truly unique moment in our history to meet the big challenges that are out there: giving all of our kids a world-class education; making sure, when the baby boomers all retire and there are only two people working for every one person drawing Social Security and Medicare, that Social Security and Medicare don't go broke, and we don't bankrupt our kids or their ability to raise our grandkids; that we meet the big challenge of climate change and the other environmental challenges; that we stay on the forefront of science and technology; that we continue to be a force for peace and freedom around the world; that we bring prosperity to the people in America who still aren't part of it and give them a chance to work their way into a good life; and many other things.

Now, in order to do that, a precondition of doing all that is keeping the prosperity going and continuing to expand opportunity. I believe that the only way to do that is to build on what has worked. It's not as if we haven't had a test run here. We've seen now for almost 8 years that the strategy we have pursued of investing in our people but continuing to pay this debt down and doing it within the framework of fiscal responsibility and trying to be fair in the way we invest money and allocate tax cuts works. It works. It's good economics, and it's good social policy.

Now, I believe that this latest estate tax bill is another example where Congress comes up with something that sounds good and looks real good coming down the street on a tractor. [*Laughter*] But if you look at the merits, it basically would take us off the path that has brought us to this point over the last 8 years, and I don't think we ought to be kicked off that path. I think we ought to think about how to accelerate our way down this road.

I believe that this latest bill, this estate tax bill is part of a series of actions and commitments that, when you add it all up, would take us back to the bad old days of deficits, high interest rates, and having no money to invest in our common future, the kind of things that our speakers talked about in their commitment to education.

Now, let me give you an example. Last year the Republicans passed a huge tax bill in one quick shot, and it was like a cannonball that was too heavy to fly, and so it went away. But they're still committed to it—in fact, an even bigger version of the bill that I vetoed last year. This year they have a strategy that, in a way, is more clever. It's like a snowball, and every piece of it sounds good. But when it keeps rolling, it just gets bigger and bigger and bigger. And unless someone stops it, the snowball will turn into an avalanche, and you'll have the same impact you had before.

Today, a few moments ago, this bill suffered the inevitable fate of a snowball in August. [*Laughter*] I vetoed it not because I don't think there should be any estate tax changes—I do believe there should be some changes—not because I think that the United States Government should never respond to the legitimate concerns of people who happen to be in upper income levels and have been successful—I think they're entitled to fairness just like all the rest of us—but because this particular bill is wrong for our families and wrong for our future. It fails the test of the future both on grounds of fairness and fiscal responsibility. And I'd just like to lay out the facts in a little greater detail.

The cost of their bill is $100 billion over 10 years. That sounds—in the context of a $2 trillion surplus you may say, well, that's not all that much. But to get it down to $100 trillion, they have to ever so gradually phase it in. In the second 10 years, when all the baby boomers retire and we need as much money as we can for Social Security and Medicare and to keep the burden of the baby boomers' retirement off the rest of you, the real cost of the bill appears. It's $750 billion.

Now, this is $750 billion for 54,000 families, 54,000 estates. We'll come back to the smaller number, $100 billion for 54,000 estates. That's 2 percent of the estates. Now, if it's a farm or a small business, that can be misleading because they may employ lots and lots of people. There may be a lot of people riding on the welfare of, the success of the small business people and the farms.

And I've talked to a number of people who say, "You know, I don't want to have to sell my business," or "I don't want my daughter or my son to have to sell the business to pay the estate tax. Yes, they'll still have money, but the business won't be going. Somebody else will be running the business." So, should something be done to help them? Of course. But keep in mind, there are millions of businesses in America—we're talking about 54,000 here—and it's very important to note that over half of the benefits to these 54,000 estates go to less than 6 percent of the estates, less than one-tenth of one percent of the American people, 3,000 of the estates. So over half the benefit of that bill that came down here on a tractor goes to 3,000 people. And I'll bet you not a single one of them ever drove a tractor. [*Laughter*] I'll bet you if I had a tractor-driving contest with any of those 3,000 people, I would win. [*Laughter*]

And I say that not to build resentment against them but to say they have presented a picture of this bill which is not accurate. The average tax relief for those 3,000 families would be $7 million a person. And it will do nothing for the farm families like those represented by our speaker. That is my problem with this bill. It doesn't really do what it says it's supposed to do.

And for the other 98 percent of the American people, literally get nothing out of this. That's another thing I think that is important. This was the first priority. This is the bill that was sent up before an increase in the earned-income tax credit for low income working people that have three or more kids, before doing more on the child care tax credit, before a long-term care credit for people who have to take care of their elderly or disabled loved ones and long-term care, before doing anything to help average families deduct the cost of college tuition to send their kids to college, before increasing the incentives we want to give wealthy people to invest in the poor areas of America. This was their top priority.

So I say, it fails on grounds of fiscal responsibility; it costs too much; and it fails on grounds of fairness. And let me just mention something else that Martin alluded to when he stood up here. I have had at least two billionaires contact me and ask me to veto this bill. And one of the reasons they cited is that it would lead to a dramatic drop in charitable contributions.

Studies show that charitable contributions could drop as much as $5 to 6 billion a year—private contributions to charitable causes—if I were to sign this complete repeal: less money for AIDS research or cancer studies, fewer resources for adoption, fewer opportunities for troubled children, fewer new acquisitions for art galleries and historical museums and historic preservation. This is an element of this bill that has been discussed almost not at all in the public domain. But it is clear that it would be one of the unintended consequences of a complete repeal of the estate tax.

I say again, the estate tax repeal is part of a larger Republican strategy to have, now, over $2 trillion of tax cuts over the next 10 years. Now, in other words, their aggregate proposals would spend all the projected non-Social Security tax cut. That leaves nothing for continued improvements of education when the student bodies are just getting larger, more and more kids, and more and more diverse.

Nothing for a voluntary Medicare prescription drug benefit, the biggest problem most seniors have. Nothing to extend the life of Medicare and Social Security beyond the baby boom generation.

Nothing to invest in scientific research and the environment.

Nothing to pay for their proposal to partially privatize Social Security, which itself would require the injection of a trillion dollars more into the Social Security Trust Fund over the next decade.

Nothing for emergencies. Remember, I told you we've already spent $600 million this year on wildfires in the West. Things happen in life. Things happen in a nation's life just like they happen in your life. Emergencies happen.

Nothing to pay for low farm prices, bad crop years, or in this case, bad foreign policy, and no telling how many billion dollars we spent in the last 3 years trying to keep people like our family farmer here in business because we passed the farm bill in 1995 that made no provision for bad years.

And by the way, the $2 trillion surplus is just an estimate, anyway. And anybody that knows anything about the Federal budget will tell you that there are just three or four technical reasons it is grossly overestimated.

So I don't think this is a fiscally responsible bill, and I don't think it is a fair bill. And therefore, I vetoed it. Now, does it mean there should be no estate tax relief? Actually, most of us Democrats believe there should be some. Why? Because of the success of the economy in recent years, we've had land values go way up for farmers in many places in the country, and many young people and not-so-young people have enjoyed a lot of success in a hurry in a booming stock market. So that there are a lot of ongoing enterprises that should be able to continue to go on, and you don't want them to have to be transferred in ownership just to pay the tax bill. That's really the unfairness issue that needs to be addressed here.

And we offered two different options to do that in this debate. Both of the Democratic bills in the House and the Senate would allow family farmers and small businesses to leave at least $4 million per couple without paying any estate tax. That's up from $1 million, where we're going today.

Unlike the Republican plan, which would make them wait 10 years to get the full benefits, so as to disguise the real cost of a total repeal of the estate tax, the Democratic plans provide immediate relief. The Democratic proposal in the Senate actually eliminated two-thirds of the families from paying the estate tax, covering virtually every so-called small business and family farm in the country, and leaving the people that Martin talked about, for which the estate tax was designed. The House plan left a few more families in the estate tax, but cut the rate for everybody, on the grounds that other rates had been cut in recent years.

The point I want to make is that our party is not against reasonable estate tax relief, nor do we think that people should use all claim for making a fairness case to their government just because they're in upper income levels. But this bill is wrong. It is wrong on grounds of fairness; it is wrong on grounds of fiscal responsibility. It shows a sense of priorities that I believe got us in trouble in the first place in the 1980's and that, if we go back to those priorities, will get us in trouble again.

So I say again to our friends in the Republican Party, John Sumption and Martin Rothenberg made a lot of sense today. They spoke for the best of America. We are not against wealth, and we are not against opportunity. If I were against creating millionaires, I have been an abject failure in my 8 years as President. [*Laughter*] We are not against making it possible for farmers and small business people to pass their operations along so that their children do not have to sell the enterprise just to pay the estate tax. Everybody thinks that's wrong.

We are willing to work with you in good faith to modify this estate tax and to take a whole lot of people, including the majority of those now paying it, out from under it entirely if you're willing to work with us. But we are not willing to turn our backs on the rest of the American people who deserve tax relief, who have to have good schools, who have to have good health care, and most important of all, have to have a fiscal policy that keeps us paying the debt down, keeps interest rates low, and keeps the future bright.

And I will just leave you with this one last thought. We have a new study which shows that if we keep on our path and keep paying this debt down, instead of giving away all the projected surplus in tax cuts, it will keep interest rates another percent a year lower for the next decade, which is worth another $250 billion home mortgages, another $30 billion in car payments, and another $15 billion in college loan payments. That is a very big amount of relief to most people in this country.

So I ask the Republican Congress again, if you're serious about wanting to deal with the problems that estate tax presents, let's get after it and solve them. But we have to proceed on grounds of fiscal responsibility and fairness. And I will never be able to thank this fine farmer from South Dakota and this successful academic and businessman now from New York for giving us a picture of what America is really all about and what we ought to be building on for the new century.

Thank you very much.

NOTE: The President spoke at 2:39 p.m. in the East Room at the White House. In his remarks, he referred to farmowner John Sumption and his wife, Margaret; and Martin Rothenberg, founder, Glottal Enterprises, and his daughter, Sandra.

Message to the House of Representatives Returning Without Approval the Death Tax Elimination Act of 2000

August 31, 2000

To the House of Representatives:

I am returning herewith without my approval H.R. 8, legislation to phase out Federal estate, gift, and generation-skipping transfer taxes over a 10-year period. While I support and would sign targeted and fiscally responsible legislation that provides estate tax relief for small businesses, family farms, and principal residences along the lines proposed by House and Senate Democrats, this bill is fiscally irresponsible and provides a very expensive tax break for the best-off Americans while doing nothing for the vast majority of working families. Starting in